

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 18 SEPTEMBER 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **REVENUE BUDGET MONITORING 2012/13**
(MONTH 3)

1.00 PURPOSE OF REPORT

1.01 To provide members with the most up to date revenue budget monitoring information (Month 3) for the Council Fund and the Housing Revenue Account in 2012/13.

1.02 INDEX OF CONTENTS

Section 2	Executive Summary
Paragraph 3.01	Council Fund Summary Table
Paragraph 3.07	Risks and Assumptions
Section 4	Non Standard Inflation / Central Contingencies
Section 5	Unearmarked Reserves
Section 6	Housing Revenue Account
Appendix 1	Community Services -Variances Summary
Appendix 2	Environment -Variances Summary
Appendix 3	Lifelong Learning -Variances Summary
Appendix 4	Corporate Services -Variances Summary
Appendix 5	Central & Corporate Finance -Variances Summary
Appendix 6	Council Fund Unearmarked Reserves Summary
Appendix 7	Housing Revenue Account -Variances Summary

EXECUTIVE SUMMARY

2.01 Members are requested to note the projected year end position as estimated at Month 3 which is :

- Council Fund - Net overspend of £1.053m
- Housing Revenue Account - Net overspend of £0.030m

3.00 CONSIDERATIONS

COUNCIL FUND

3.01 The table below shows a projected in-year overspend of £1.053m.

TOTAL EXPENDITURE AND INCOME	Original Budget	Revised Budget	In-Year Over / (Under) spend		Non Ring-fenced		Ring-fenced	
			Month 2	Month 3	Month 2	Month 3	Month 2	Month 3
	£m	£m	£m	£m	£m	£m	£m	£m
Directorates								
Community Services	58.437	58.422	-	(0.221)	-	(0.138)	-	(0.083)
Environment	31.794	31.785	-	(0.123)	-	(0.123)	-	-
Lifelong Learning	109.219	109.213	-	1.303	-	1.324	-	(0.021)
Corporate Services	17.469	17.489	-	(0.002)	-	(0.002)	-	-
Total Directorates	216.919	216.909	-	0.957	-	1.061	-	(0.104)
Central and Corporate Finance	25.759	25.769	-	0.096	-	0.096	-	-
Total	242.678	242.678	-	1.053	-	1.157	-	(0.104)

3.02 The Original Budget column reflects the budget approved by Council on the 1st March 2012. The Revised Budget column reflects in-year virements which have been approved in compliance with Financial Procedure Rules.

3.03 The significant in-year projected variances to date are detailed in Appendices 1 - 5 (Council Fund) and Appendix 7 (HRA), and in addition to giving the reasons for the variances, the actions required to address each variance is provided.

3.04 As shown in the table above the main reason for the overall projected overspend is a currently forecast overspend of £1.303m within Lifelong Learning, comprising of Leisure £0.399m, School Improvement Service £0.073m, Schools related £0.345m, Service Units £0.245m, Facilities £0.274m, offset by minor savings of £0.033m.

The outturn report for 2011/12 detailed a number of these budget pressures which would continue into the current financial year and outlined the actions that were being taken to address them. These were also highlighted in the Month 2 monitoring report which was considered by Cabinet in July.

Full details of the reasons for the variances are shown in Appendix 3, from where it can be seen that in addition to the historic pressures described above, there are also a small number of emerging new pressures. Appendix 3 also details the specific management actions that are in place to reduce these overspends, including the consideration of some of these pressures for ongoing funding within the budget process for 2013/14.

Within the Leisure Service the £8m refurbishment of Leisure Centre Provision in Flint and Deeside has been completed. The business plans for each centre highlighted the need for the Council to invest revenue funding to support the new facilities in their first year of operation. It is now recommended that £0.361m is allocated from contingency as a one-off investment for this purpose.

3.05 It is the intention of Management to contain the currently projected variation within the overall agreed Council budget for the year. As part of the ongoing work to develop the MTFP, opportunities to generate efficiencies are being explored including those that may have a positive impact on the 2012/13 projected outturn.

3.06 The projected outturn for Central & Corporate Finance reflects additional corporate “windfall” income of £0.081m, arising from payment of a claim against Welsh Government for costs in respect of staff time incurred in supporting the recent Housing stock transfer tenants consultation and ballot. A total of £0.100m was claimed for staff time, which has been apportioned as appropriate between the Council Fund (£0.081m) and the HRA (£0.019m).

RISKS / ASSUMPTIONS

3.07 The in-year over / (under) spends shown in the table at paragraph 3.01 reflect the following risks and assumptions :-

1. Community Services

- Social Services for Adults
 - Occupational Therapy service - increased demand
- Social Services for Children
 - Out of county placements - demand led with volatility influenced by numbers and high values of individual placements
 - Family Placement - increases in foster care places / court orders for Residence and Specific Guardianship
- Housing Services
 - Homelessness - projected high demand influenced by current economic climate and recent welfare reform

2. Environment

- Streetscene
 - Delay to full implementation of the 6 day working week

3. Lifelong Learning

- Facilities
 - Catering - overspend projected but possible mitigation from project plans following APSE review
 - Cleaning - loss of contract income including Mold Law courts require service and budget restructuring
- Development & Resources
 - Free school meals and remissions - influenced by economic factors
- Ringfenced budgets
 - Out of county placements - demand led with volatility influenced by numbers and high values of individual

placements

4. Corporate Services

- Welfare Reform
 - The likely impact of welfare reform is currently being assessed and will be reported to Cabinet as soon as any pressures have been identified

5. Housing Revenue Account

- Single Status
 - Possible impact of Single Status agreement - any impact will need to be funded within HRA as it is a ringfenced account

4.00 NON STANDARD INFLATION

4.01 Included in the budget is an amount of £0.078m in respect of Energy for Street Lighting, £0.300m in respect of Energy, £0.196m in respect of Fuel and £0.133m in respect of Food. These budgets are being monitored closely and the funds will be released when a full assessment of the need has been completed. The current projected outturn assumes that these amounts will be required in full.

5.00 UNEARMARKED RESERVES

5.01 The 2011/12 final outturn reported to Cabinet on 10th July showed unearmarked reserves at 31st March 2012 (above the base level of £5.476m) of £0.992m, after taking into account commitments in 2012/13 :

- Use of £0.973m to meet one-off / time limited costs
- Ringfencing of £1.500m to support Organisational Change costs

5.02 Appendix 6 details the movements to date on unearmarked reserves and the level of contingency sum remaining. As a result of these movements the current projected level of the contingency reserve at the end of March 2013 is an overdrawn amount of £0.422m. However as noted in section 3.05 it is the intention of Management to contain the currently projected variation within the overall agreed Council budget for the year which will also have a positive effect on the contingency reserve.

6.00 HOUSING REVENUE ACCOUNT

6.01 On 21st February 2012, the Council approved a Housing Revenue Account (HRA) budget for 2012/13 of £26.671m. The budget provided for a closing balance of £0.867m, which at 3.25 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.

- 6.02 The 2011/12 final outturn reported to Cabinet on 10th July 2012 showed a closing balance at the end of 2011/12 of £1.857m (subject to audit) which was £0.753m more than when the 2012/13 budget was set. This had the effect of increasing the closing balance for 2011/12 by the same amount.
- 6.03 At Month3 there is an overall projected overspend of £0.030m and a projected closing balance of £1.590m, which at 6 % of total expenditure satisfies the prudent approach of ensuring a minimum level of 3 %.
- 6.04 Appendix 7 details the reasons for variances occurring to date and the actions planned to deal with them.
- 6.05 The projected outturn reflects provision for the following item which it is recommended be funded by way of allocations from the HRA balances.
- Provision of £0.050m for possible exit costs (redundancy / pension fund strain payments) arising from completion of service reviews.
- 6.06 Following the outcome of the tenants ballot on a possible stock transfer, the Council are reviewing plans to achieve the Welsh Housing Quality Standard at the earliest opportunity. It may help to speed up the release of surplus revenue funding within the HRA to provide additional capital funding through CERA contributions towards the HRA capital programme. It is recommended that delegated authority be granted to the Head of Housing to allocate additional CERA contributions from HRA balances over and above the required level of 3 % of total expenditure.

7.00 RECOMMENDATIONS

7.01 Members are recommended to :-

- a) Note the overall report and the management actions being taken to address the projected overspend
- b) Note the Council Fund contingency sum (overdrawn balance) as at 31st March 2013 (paragraph 5.02)
- c) Approve the allocation of £0.361m from contingency as a one-off investment to support the new Leisure facilities in their first year of operation (paragraph 3.04)
- d) Note the projected final level of balances on the Housing Revenue Account (paragraph 6.03)
- e) Approve that delegated authority be granted to the Head of Housing to allocate additional CERA contributions from HRA balances over and above the required level of 3 % of total expenditure (paragraph 6.06)

8.00 FINANCIAL IMPLICATIONS

8.01 The financial implications are as set out in Sections 3.00 - 6.00 of the report.

9.00 **ANTI POVERTY IMPACT**

9.01 None

10.00 **ENVIRONMENTAL IMPACT**

10.01 None

11.00 **EQUALITIES IMPACT**

11.01 None

12.00 **PERSONNEL IMPLICATIONS**

12.01 None

13.00 **CONSULTATION REQUIRED**

13.01 None

14.00 **CONSULTATION UNDERTAKEN**

14.01 None

15.00 **APPENDICES**

15.01 Council Fund Variances - Appendices 1 - 5
Council Fund - Movements on unearmarked reserves - Appendix 6
Housing Revenue Account Variances - Appendix 7

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

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